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## CONCILIATION THROUGH COMMERCE AND INDUSTRY IN SOUTH AMERICA



BY

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The Executive Committee of the Association for International Conciliation wish to arouse the interest of the American people in the progress of the movement for promoting international peace and relations of comity and good fellowship between nations. To this end they print and circulate documents giving information as to the progress of these movements, in order that individual citizens, the newspaper press, and organizations of various kinds may have readily available accurate information on these subjects.

For the information of those who are not familiar with the work of the Association for International Conciliation, a list of its publications will be found on page 13.

## CONCILIATION THROUGH COMMERCE AND INDUSTRY IN SOUTH AMERICA

The international commerce of South America today exceeds \$1,500,000,000 annually. The most of this is foreign commerce as distinguished from inter-South American commerce, or trade between the different countries of the southern continent. Both, however, make for conciliation in adjusting differences that arise among the different Republics. Commercial peace means international peace.

A review of the political and diplomatic relations of the various republics of South America shows that they have worked out vexatious disputes and controversies fully as satisfactorily as have European nations. The legacy which all South America received from the Spanish and Portuguese colonial eras was one of the undetermined boundaries which were often indefinable. The doctrine of *uti possidetis* was interpreted by every South American country as seemed best to conserve its own interests. "To hold and possess" often meant only constructive occupation of unknown territory. "Wherever in possession" meant in possession of the fringe of vast stretches of land. There are sections of the interior of this great continent which yet appear on world maps as unknown, though recent explorations have served to give some general knowledge of them. This knowledge, however, is not exact enough to enable all questions of undefined boundaries to be settled offhand.

The great river systems, the Amazon and the Plate, still tap territory whose economic value is better understood than its geographical extension. It is not unnatural, therefore, that the countries whose interests are affected should make the broadest claims for themselves and should seek to secure their full proportion of the commerce of the future by making these claims. The historic fact is, however, that assertions of paper rights regarding the bounds and limits of commerce have caused few of the wars that have taken place among the South American republics. This commerce, while in one sense a provocation to war, or what would be considered a provocation by a European nation given to trade, has more often proved a means of conciliation. Fortunately, questions of limits do not usually merge into questions of national honor and the most high-strung people can reach a means of determining such issues peaceably.

The record of boundary disputes in South America which have been settled by arbitration is a long one. In every case it has been noted that the development of domestic industry and neighborhood and foreign commerce follows such settlement. The ebullitions and effervescence of an excitable people when a dispute arises or when an arbitral decision is given adverse to their claim, have not proven to be the deliberate act of responsible governments. It will be found that in the majority of cases the various governments, while not able to check immediately these exhibitions of popular sentiment, or popular bad temper, have been able to divert them into harmless channels while they have proceeded with dignified negotiations and a real sense of their responsibility.

Rumors of wars in Latin American countries get sensational headlines in the newspapers; no thought is given to the failure of the rumors to be verified. The facts of industrial progress and commercial advancement are not sensational; no excitement is caused by them and they pass unnoticed, yet all the time they are doing their beneficent work in promoting peace.

Latin Americans' fondness for abstractions has frequently caused results to be overlooked. Often comprehensive declarations of adhesion to the theoretic principles of arbitration have been made without having been put into effect, but when the practical principle involved in trade and industry was clearly at stake usually it has proved a means of conciliation.

Argentina's \$700,000,000 foreign commerce today makes strongly for peace. The world at large cannot well afford to have Argentina's wheat lands and pastures interfered with. Food is becoming too precious. The enormous sums of European capital, especially British capital, invested in the Argentine railways are a potent argument for maintaining peace in so far as the countries neighboring to the Argentine Republic are concerned.

Adjustment of the boundry between Argentina and Chile in 1898 was one of the most effective means of securing South American tranquillity at a critical period and back of the agencies which secured tranquillity was the legitimate influence of capital invested in commerce. European investments in Chile and Argentina were too great to permit those two progressive nations to go to war. The sequel of that friendly adjustment has just been realized. So long

as the boundaries were unsettled and there was mutual jealousy, neither country was anxious to pierce the natural barrier which the Andes mountain wall forms between them. After this settlement was made the enterprise that had been merely an aspiration for half a century was undertaken seriously. The result is the trans-Andine tunnel which has recently been opened. It joins Buenos Aires with Valparaiso by a through railway line. The inter-commerce of the two countries was a leading consideration in building this railway tunnel which means so much for their future friendly relations. It gave the basis on which the Chilean Government could guarantee capital for an enterprise that would develop trade and industry and that had therefore a practical as well as a sentimental side.

Another instance of the value of commerce as an instrument of conciliation was the settlement by Brazil and Bolivia of the controversy over the Acre rubber territory. Both countries, under the decrees of the Spanish and Portuguese Crowns in the colonial era, laid claim to this region of which so little was known and both sides could support their claims by historical references. While the dispute was pending there could be no exploitation of the resources of the territory although the world was demanding the rubber which was there. Brazil and Bolivia, by the Treaty of Petropolis, settled this question without even resorting to the arbitration of a third party. Under it Bolivia accepted an indemnity of \$10,000,000 for the district she claimed. This indemnity was to be applied to railway construction. Brazil, on her part, undertook to build a railroad around the Madeira Falls which

would offer an Atlantic outlet and inlet to the commerce of a large section of Bolivia. This enterprise, the importance of which has been fully recognized for half a century by students of South American economics and resources, had been attempted several times by private interests and had met with failure owing to the enormous difficulties. It was the proper project of a progressive government.

The \$10,000,000 which Bolivia obtained was cash capital which also added vastly to her credit. Instead of borrowing money with which to buy war material there was actual money to spend on railway material. With it the construction of the railway systems which are so important to her internal development was begun and is now going forward to the very great benefit of the trade and industry of the country. Brazil, on her part, is scrupulously complying with the obligation to build the railway around the Madeira Falls and in another two years this great work of civilization will be completed. Its influence on the commercial future of a vast region is incalculable. In the meantime the rubber from the Acre territory is helping to supply the world's demand for this commodity.

Free navigation of the great rivers of the South American continent is essential to the full commercial development of all the contiguous countries, but for nearly a century friction between adjoining nations and unfounded fears of foreign control interfered with this development.

The negotiations of the United States and the various European countries in regard to the Amazon are familiar chapters in the international controversies

over the rights of free navigation of rivers. The sound doctrine was laid down in a circular of the Peruvian Foreign Office as far back as 1853. In this circular the aspiration was for the adoption of a commercial policy which "should reconcile the interests of the world with the interests and rights of the nations in possession." The commercial policy was recognized as the basis of conciliation, or reconciliation, between estranged nations. The interests of the world in these river regions of South America have grown immensely because of their present and prospective commerce, and yet it has been found possible to reconcile them with the interests and rights of the nations in possession, although all questions have not been formally settled.

More acute has been the question of reconciling the interests and rights of the nations which disputed possession among themselves. Although complete free navigation of the branches and tributaries of the Amazon may not yet be fully admitted, the neighboring countries are rapidly reconciling their differences in the interest of a common commerce. The latest illustration of this spirit of conciliation is the boundary treaty of September, 1909, between Brazil and Peru, relative to the commerce and navigation of the Amazon basin. The agreement means more commerce for both countries

Among the recent instances of the reconciliation of the claims of adjoining countries through recognition of the commerce involved is the treaty between the Argentine Republic and Uruguay. Article 3 of this treaty provides "that the navigation and use of the waters of the river Plate will continue without altera-



tion as up to the present date, and whatever differences may arise in this connection will be removed and resolved in the same spirit of cordiality and harmony which has always existed between the two countries." Uruguay with its thriving port of Montevideo controls one bank of the Plate. The commerce that flows past it to Buenos Aires and other Argentine ports and back from them is too great and too important to civilization for it to be at the mercy of warlike settlement. Here again the conciliation of two distinct national interests is through commerce.

The recent treaty between Brazil and Uruguay is also important to commerce and industry. Brazil, in order to exploit the vast resources of her great interior states of Matto Grosso and Goyaz needs free transit up the Plate and its tributaries. Friendly political relations are the corollary of friendly commercial relations.

These are a few of the many instances that might be given which show how the reciprocal commercial conditions in the South American countries are advanced by peaceful settlement of their boundary and other disputes. The interest of Europe with its huge investments of capital and its enjoyment of the larger proportion of the South American commerce requires mention. These investments now approximate \$3,500,000,000. A vast and swelling volume of trade depends on them. They are a peace fund.

The United States has a special relation independent of the Monroe Doctrine which heretofore has been interpreted without regard to trade. Its commerce with South America is approximating \$300,000,000 annually. This is not large, as compared with Europe, but the commerce is a growing

one and this growth is dependent on the maintenance of inter-South American peace. North American capitalists are interested in South American mines and to some extent in railways, and the establishment of the Pan-American bank which will help the expansion of commerce is not so remote. The United States is pledged to the encouragement of the Pan-American Railway both as a measure of national and international or intercontinental policy. This project in the gradual linking up of different sections and countries is a powerful promoter of the inter-South American commerce. It is a material force that becomes a moral agency, probably the greatest single agency now at work.

Identity of interest between the United States and the South American countries is greater than ever before. Our commercial policy is conciliatory and whatever tends to increase the commerce is an additional means of conciliation. It is also a reason for judging the prospects of the various South American countries by their peaceful progress rather than by confusing rumors of war among them, especially since so few of these rumors are ever translated into actual hostilities.

Commerce with the South American countries is also an educating force. Knowledge of their political institutions, of their administrative systems, of their economic resources, of the government measures to develop these resources, is essential to whoever would profit by the opportunities that are offered in one of the most inviting fields for international trade that exists. Such knowledge gives an insight into the South American viewpoint and consequently modifies

the North American viewpoint which is so often prejudiced and so generally ignorant when applied to Latin American affairs.

These considerations are commercial, but not mercenary. They justify the prominence given in the program of the Pan-American Conference at Buenos Aires to commercial statistics, conservation of natural resources, the Pan-American Railway, steamship communication, sanitary regulations, monetary standards and similar subjects. To promote commerce with South America is to promote peace in South America.

CHARLES M. PEPPER

Washington, August 20, 1910



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